

February 16, 2021

To:

Federal Reserve Board of Governors

From:

Community Builders Network of Metro St Louis
3651 Olive Street, Suite 100
St. Louis, MO 63108
314-730-5449

Re: Public Comment Docket Number R-1723 and RIN Number 7100-AF94

The Community Builders Network of Metro St. Louis (CBN) believes the proposed changes to the Community Reinvestment Act (CRA) address critical transparency concerns with existing CRA regulations, but could be improved further to better serve our LMI communities.

CBN is a coalition of approximately 80 community building organizations in the St. Louis region, including community-based nonprofits, lenders, private developers, philanthropic organizations, and government actors. We exist to support and build bridges among St. Louis communities and the people who serve them to fulfill our collective vision: a St. Louis region where all people live in safe, economically strong, and vibrant neighborhoods and all community-based organizations are sustainable, supported, and valued. CBN supports place-based member organizations and their partners with capacity building, advocacy, and storytelling.

In 2020, our members came together to share information, concerns, and a series of priorities they felt CRA reform should address. Their input via surveys, emails, and conversation—which included representatives of community-based nonprofits, banks, Community Development Financial Institutions (CDFIs), university partners, and local government—unearthed how important CRA is to the work of the St. Louis region's community building organizations. This process also built consensus about ways to improve CRA in the future.

CBN member organizations identified four (4) priorities for improving the proposed CRA reform:

CRA should consider race. CRA was passed in 1977 to end racial discrimination more commonly known as redlining. It is impossible to detach the role of race and white privilege from both CRA's history and current inequities in access to housing, financial services, and community credit. However, neither current CRA exams nor the proposed reforms consider race as a factor in evaluating banking performance.

Relationship-building with community organizations should be incentivized. Almost every partner in our conversations agreed that CRA regulations have the greatest impact when they grow, deepen, and strengthen long-standing relationships between banking

institutions and community-based organizations. Only then can partners truly begin to leverage each other's resources and expertise to understand and serve community needs. Lending through the Paycheck Protection Program (PPP) in response to COVID-19 underscored this reality: organizations and businesses with fewer banking relationships, disproportionately smaller and Black-led businesses and nonprofits, struggled to access and receive support through the program. CBN believes CRA should both encourage banking institutions to meet communities where they are and do the hard work of listening to communities to identify their needs. CRA should reward banking institutions that successfully create and safeguard trusted partnerships. Maintaining the service test was a good first step in the proposed reforms, but regulations should encourage banks to go beyond financial education and engage more deeply with community stakeholders

CRA can provide even more incentive for neighborhood-scale, innovative projects.

Proposed reforms should place even more emphasis on projects that respond to the unique conditions and assets of each neighborhood. CRA can continue to do more to promote a richer, denser network of relationships that lead to small-scale projects created and operated in collaboration with residents and local businesses. Transaction volume should matter as much as total investment dollars. Additionally, grants and patient capital should be prioritized over debt rather than combined into a single ratio.

Existing CRA rules and processes have too much uncertainty. Banking institutions and community partners agreed that there is a lot of confusion around current CRA regulations. This uncertainty includes confusion about which evaluators review banking performance (e.g., regulatory staff based in California reviewing projects in Missouri), what data is needed, and what projects will count for CRA credit. We commend the current proposal's effort to reduce uncertainty with CRA regulations.

We know that there is nuance to the CRA and the proposed reforms, but we firmly believe that any proposal or process can be made stronger when we come together from different sectors to share our knowledge, perspectives, and concerns.

On behalf of our network of more than 80 community building organizations, as well as the low- and moderate-income people and places that these organizations serve in the St. Louis area, CBN asks that the aforementioned priorities be incorporated into any proposed changes to the Community Reinvestment Act. Thank you for considering our concerns.